Sponsorship Evaluation: Moving from Theory to Practice

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Abstract

Corporate spending on sport sponsorship continues to escalate, up 3.7% over 2002 with several companies reportedly spending over $100 million each year (IEG, 2002). Sport sponsorship has been shown in the literature to be a viable component contributing to market strategy. Of late, the downward movement in many corporate stocks through 2003, projected earnings shortfalls, and decreased company profitability has caused some shareholders to question sport sponsorship as an appropriate expenditure of funds because little empirical evidence of return on investment has been provided. However, many corporations have failed to assess sponsorship’s effectiveness in meeting their objectives. Perhaps the lack of assessment exists because the process for evaluation has not been solidified in theory or practice. Thus, an evaluation model for sport sponsorship based on the myriad of contributing factors is needed. This article explores the literature in the field, examines current practice in the profession, and forwards such a model.

Introduction

According to the most recent data, projected spending on sponsorship in 2003 in the U.S. will total $10.52 billion, up 3.7% over 2002. Several companies were reported to have spent over $100 million, including Pepsi, Anheuser-Busch, General Motors, Coca-Cola, Miller Brewing, Nike, and Daimler-Chrysler. Sport retained its position as the leading category for sponsorship spending with 69% of expenditures, followed by entertainment (8%), festivals and fairs (8%), cause-related marketing (9%), and arts (6%). Sponsorship has been increasing around the globe as well. Estimated 2003 spending in Europe should top $7.4 billion, the Pacific Rim will account for $4.7 billion, and Central/South America will contribute $2.2 billion to the worldwide total of $26.2 billion (IEG, 2002). With this expanding outlay of capital, one would expect to see the existence of comprehensive and validated means for measuring the effectiveness of sponsorship activities. However, little empirical evidence has emerged in this area. The purpose of this article is to review the theoretical background, assess current practices, and propose a model encompassing sponsorship selection, activation, and evaluation.

Theoretical Background

In the ever-changing environment in which businesses operate, continuous modification of market strategy is essential. Berret and Slack (1999) have confirmed sport sponsorship as a viable component contributing to market strategies. Thus, an examination of sponsorship as a strategic marketing tool seems reasonable. With the economic recession of late 2001 and 2002, corporations began to more aggressively assess the values and benefits gained through sport sponsorship. Stadium naming rights fees, an area that had seen tremendous growth during the previous 10 years, experienced a 16% decrease in value (Bernstein, 2001a). In addition, the downward movement in many corporate stocks through 2003, projected earnings shortfalls, and decreased company profitability caused some shareholders to question sport sponsorship as an appropriate expenditure of funds. Furthermore, the blackout experienced in many parts of the northeastern United States in August 2003 brought criticism of government officials who had committed taxpayer funding for sports arenas, yet had neglected utility infrastructure such as backup generators for the local water supply (Wiener, 2003). Similarly, in 2001 much of the western United States encountered serious energy shortages, yet energy companies (Edison International, Arizona Public Service, Enron, Portland General Electric, and X-Cell Energy, to name a few) were spending significant sums of money on sport sponsorship.

Much of this corporate reassessment has focused on the measurement of sponsorship effectiveness. Sponsorship activities principally rely on exchange theory (McCarville & Copeland, 1994): an appropriate transfer of value between parties through the sponsorship. In this regard, several questions are being asked. What objectives are being met through the sponsorship? Could these objectives be accomplished through other marketing actions? What is the relative measure of effectiveness of sport sponsorship?

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Research in the field has suggested that a variety of corporate objectives are pursued through sport sponsorship including hospitality, trade relations, enhanced corporate image, increased marketshare, client acquisition, product awareness, and on-site sales (Stotlar, 2001, Pope & Voges, 2000; Thwaites & Aguilar-Manjarrez, 1997; Copeland, Frisby, & McCarville, 1996; Irwin & Sutton, 1994; Kuzma, Shanklin & McCally, 1993).

Through the accomplishment of corporate objectives, sport sponsorship has proven to be effective in shaping competitive advantages in the market (Amis, Pant & Slack, 1997). However, some corporations have failed to assess sponsorship's effectiveness in attaining these objectives. Appropriate measures have not been taken on the property side either. "It is still not a universal practice among events to provide sponsors with even the most basic post-event report" (IEG, 1999, p. 65). Those events that do supply data that attempts to address sponsorship effectiveness often pay little attention to the sponsor's objectives, but rather detail only attendance figures and media impressions.

The conceptual model that follows is based on the assumption that the most appropriate measure of effectiveness emanates not from what the sponsorship generated, but from whether the specific marketing objectives of the corporation were met. It is hoped that the use of this model will enable corporate sponsors to more accurately assess the effectiveness of sponsorship activities.

The movement from philanthropy to return on investment (ROI) has been well documented in the literature (Stotlar, 2001, Pope & Voges, 2000; Thwaites & Aguilar-Manjarrez, 1997; Copeland, Frisby, & McCarville, 1996; Irwin & Sutton, 1994; Kuzma, Shanklin & McCally, 1993) and recently Sweet (2002) noted that "Many sport sponsors say they are taking a closer look at their return on investment, especially in light of the slow economy and a sport landscape that offers a wider variety of opportunities" (p. 27). In this environment, a Coke executive noted that "the return on investment continues to shrink" (Perez, 2003, p. 129).

**Sponsorship Evaluation Model: Input**

The work of Kuzma, Shanklin, and McCally (1993) laid a framework based on a construct for sport organizations engaged in packaging and selling sponsorship with an underlying premise focused on sponsor objectives. The same philosophy can be seen on the sponsor side as well. The manager of sports and events marketing at Federal Express said, "It becomes basic Marketing 101. You have to know your objectives and what you want at every stage and continually question if the property can give you what you want" (Altenburg, 2003, p. 7). Collectively these elements constitute the Input section of the model.

The most widely cited definitions for sponsorship (Ukmam, 1995; Meenaghan, 1999) confirm that a primary purpose for the sponsor is to utilize the exploitable commercial potential of a sport property. Each sport property also has a unique set of exploitable sponsorship components to offer prospective sponsors. This brings to focus one of the basic theoretical changes in marketing with the last 25 years: the move from a product orientation ("sell what you make") to a market orientation ("make what will sell") (Stotlar, 2001). Clearly this orientation must function in the area of sponsorship as well.

**Sponsorship Evaluation Model: Filter**

Research with the top 50 sponsors in the US indicated that, too often, sport properties were trying to sell their inventory rather than looking to meet sponsor needs (Stotlar, 1999). Thus, the Filter section of the model consists of the inventory (exploitable commercial potential) that the sport property has to offer through which the sponsor objectives may be realized. Certainly, the sponsor can consider alternative marketing opportunities other than sport sponsorship. These are accounted for in the lower aspect of the Filter component.

**Sponsorship Evaluation Model: Activated Components**

The flow of objectives through the filter will yield the Activated Components, a sample of which is presented in the model. It should be noted that the actual components that are activated in any sponsorship would be ultimately determined by the corporate inputs and the property's filter of viable inventory. Given the unique nature of each sponsor, customized proposals and tailored sponsor benefits must be constructed.

**Sponsorship Evaluation Model: Evaluation Protocol**

Previous research by Irwin and Sutton (1994) presented and empirically tested criteria utilized by corporations to select appropriate sponsorship opportunities. However, they did not address evaluation. According to the principles set forth in exchange theory, in order to justify continued spending on sport sponsorships, corporations must ascertain if their benefits support their expenditures. An evaluation protocol for sponsors based on this scheme has yet to evolve. This vacuum invites the question "What is the appropriate protocol for measuring the effectiveness of sport sponsorship?" Key performance indicators must be
established and an evaluation protocol developed for each performance indicator. Because of the variability of objectives and the complexity of measure, most corporations have not engaged in measuring sponsorship effectiveness. Some have accepted data and reports from sponsored properties that attempted to measure what the sponsorship accomplished, with little regard to the sponsor's objectives. For instance the International Olympic Committee (IOC) conducts research at the Games and provides data to its corporate sponsors. During the 2002 Winter Olympic Games, the IOC found that "92% of Salt Lake 2002 spectators surveyed agreed that sponsorship support contributes greatly to the staging of a successful Olympic Games" (International Olympic Committee, p. 57). Furthermore they reported that "95% of Salt Lake 2002 spectator survey respondents who had visited an Olympic sponsor's activity stated that this opportunity positively enhanced their Olympic experience" (p. 62). While these data may be impressive to some, the obvious skew to the questions almost guarantees a positive outcome regarding the IOC, but the findings often have little relevance to the sponsor. As a result, many corporations hire independent research firms or direct their own research.

As noted in the model, these could include recognition and recall measures, qualitative interviews, employee morale measures within the sponsor company, consumer-based focus groups, or sales data collected pre- and post-event.

There have been sporadic measures as illustrated by the following:

1. During the 2002 Olympics, Samsung's research team conducted recognition and recall measures in 10 different markets around the world (Jin, 2002).
2. Through qualitative interviews after the Olympics, VISA consumers were asked about their use of the VISA card. Sixty five percent of all consumers interviewed (18 and over with annual income of over $20,000) were aware of VISA sponsorship of the Olympics.
3. NASCAR has been famous for consumer-based focus groups. Data has been widely reported that indicate that consumers are positively influenced in their purchasing by a sponsors' participation in NASCAR sponsorship (Hagstrom, 1998).

Similarly, Pitts (1998) found that the participants of the Gay Games were incredibly loyal to the sponsors.
4. Coca-cola uses sales data as important measures related to corporate objectives (Perez, 2003). Research on sales during the 2002 Olympic Games found that first quarter sales increased in the US, Japan, Mexico, and Germany more than 5% (International Olympic Committee, 2002).

While these present just a few examples, it is clear that a systematic protocol must be developed from and tied to each activated component. While limited evaluation measures have been reported in the literature, they are all too often not utilized in practice. Therefore, specific and authentic measures related to each objective must be undertaken. Key performance indicators must be assessed through either quantitative or qualitative measures, forming the Residual Measure Data section of the Model.

Sponsorship Evaluation Model: Feedback Loop

Finally, the Feedback Loop is provided to reassess the corporate objectives. Thus, corporations can stop asking, "What did the sponsorship do?" and begin answering the more important question "Did the sponsorship accomplish our objectives?"

Conclusion

Hopefully, this model can be utilized to bridge the gap between theory and practice in sport sponsorship. The intent was to present a comprehensive overview of how theory relates to and shapes current practice. Those who propose theory without a connection to practice are as misguided as practitioners who disregard relevant theory. As with sponsorship, theorists and practitioners form a symbiotic relationship where joint efforts are greater than the sum of the parts.

References


